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*An analysis of current international events*



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## ***Can Big Four Settle Basic Issues in Germany?***

The conference of the Big Four Foreign Ministers on Germany which opens in Paris on May 23 is expected to lay down the main lines of the eventual German peace treaty, and its negotiations will therefore have far-reaching repercussions on the economic as well as the political and strategic future of Europe. The prevailing impression in the West is that Moscow's lifting of the Berlin blockade on May 12 represented a great victory brought about by the combined effects of the airlift, the Marshall plan and the North Atlantic pact; and some reports from Washington and Paris have indicated that the three Western powers, in their preconference discussions, would draw up a "take-it-or-leave-it" program for presentation to the Russian delegation. Commenting on these reports, *Izvestia* on May 14 declared that the Soviet Union is not prepared to accept unquestioningly any program for a German settlement agreed upon unilaterally by the United States, Britain and France merely for the sake of achieving a German solution. Some observers have cautioned that the Kremlin will come to the conference table with two strong cards—notably the desire of most Germans for national unity and the need of a convalescing German industry for food, raw materials and markets that might be most readily available in the East.

Four main issues are expected to occupy the attention of the Big Four in Paris: unification of Germany; withdrawal of occupation troops; Russia's participation in control of the Ruhr; and economic relations between West and East. What are

the known views of the four occupying powers, and of the Germans themselves, on these issues?

1. *Unification.* The United States and Britain on the one hand, the U.S.S.R. on the other, have sought the political and economic unity of Germany; France, fearing that a unified German nation would once more become a strong military power, has favored some form of division in Germany. The main issue between the Western powers and the Soviet Union has been not whether Germany should be united, but on what terms unification should be achieved. The Western powers at Paris will point to the establishment of a Western German state under the Bonn constitution, adopted on May 8, whose ratification is planned for May 23. They will probably say that the new state is open to adherence by the Eastern zone provided that zone accepts the constitution's provisions on free elections and personal liberties. The U.S.S.R. will point to the "all-German People's Congress," delegates to which were selected in the Eastern zone on May 16 and 17 in an election described as a plebiscite on the "democratic unity of Germany, a speedy and just peace and withdrawal of the occupation forces." This congress is to ratify a constitution for an "all-German state."

The Soviet government apparently hopes that the Bonn constitution will be sidetracked as a result of the Paris negotiations. The Western powers believe that in free elections the majority of Germans would pronounce themselves against Russia and communism. The Germans themselves appear determined to achieve na-

tional unity, especially now that the lifting of the Russian blockade has reopened the whole issue, and has raised the hope that Berlin might resume its position as capital of a united Germany. The selection of Bonn, rather than Frankfurt, as capital of the Western German state appears to indicate that the German constitution-makers regard this state as transitional. Related to the issue of unification is the question whether a united Germany should have a centralized or decentralized administration. The U.S.S.R. favors centralization; France opposes it; the United States and Britain have gone much further toward centralization than France, but fear that a strongly centralized German government might prove easy prey for Communists. Among the Germans, the Social Democrats want centralization, while the Christian Democrats support a considerable measure of states' rights.

2. *Withdrawal of Occupation Troops.* The Soviet government is expected to propose withdrawal, and this proposal might win favor among some Germans—although others fear that it would encourage Russian and Communist attempts to take over Germany. According to some reports, the United States might consider withdrawal to German ports. The French, however, strongly oppose any move toward termination of military occupation, and regard the presence of American forces in Germany as a far greater deterrent to possible Russian expansion than the North Atlantic pact in its present unimplemented stage. Nor are the French sympathetic to the idea, sometimes discussed here, of incorporating German

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troops in a joint North Atlantic force.

3. *Russia's participation in Ruhr.* The Soviet government is expected to insist, as it has in the past, on participation in control of the Ruhr and on access to its capital goods output, needed by the U.S.S.R. for reconstruction and expansion of its own economy. The French fear that both the U.S.S.R. and the United States, for different reasons, wish to develop the Ruhr's economic potential which, for the French, spells dangerous war potential. The United States may counter a Soviet proposal on the Ruhr by suggesting comparable Western participation in control of the Upper Silesia industrial area, now administered by Poland. This might reopen the whole issue of Germany's eastern border.\*

\*See *Foreign Policy Bulletin*, May 6, 1949.

## **European Trade Controls Hamper Swiss Economy**

BERNE, SWITZERLAND—The dominant tendency in Western Europe today is toward higher economic barriers and not toward unity—despite moves for closer political co-operation such as the signing by ten Foreign Ministers in London on May 5 of the statute creating a Council of Europe. The Marshall plan nations are following autarchical trade policies reminiscent of the years before World War II, resting on currency controls that foster barter on the European continent.

The rigid character of this nationalistic commerce was again revealed on April 30, when the trade and financial agreements of Switzerland with France and the three Western zones of Germany came to an end. There is no prospect for their early renewal in view of Swiss reluctance to take French and German goods as long as France and the occupation authorities are unwilling to buy the kind of goods Switzerland wants to sell—watches, handkerchiefs and other specialties—along with the Swiss goods that France, at least, needs, such as precision machinery. Switzerland, although it is the only hard-money country in the world besides the United States, faces a crisis as a result of the trade impasse with France and Germany. The Swiss franc is freely convertible everywhere. Since Switzerland sustains its economy by exporting about 50 per cent of its production, the present trade controversy holds the threat of unemployment and inflation.

The Swiss dilemma is symptomatic of current Western European relationships. While Switzerland favors the theory of

4. *East-West Economic Relations.* The Ruhr is closely linked to the larger issue of future economic relations between East and West which center on Germany. The UN Economic Commission for Europe has just pointed out in its survey of European economy for 1948 that trade between Eastern and Western Europe, excluding Germany and Austria, last year reached 63 per cent of the 1938 level; if Germany and Austria are included, however, it reached only 42 per cent of its prewar volume. Industrial expansion in 1948 was particularly rapid in Western Germany but it was achieved primarily because of the aid of the United States under the ERP. Should this country extend such aid to cover the Eastern German zone if it is unified with Western Germany? Will Russia accept extension of the Marshall

plan eastward? And what will happen after 1953, when Marshall plan aid is slated to end? The United States now holds a trump card in its capacity to furnish raw materials and machinery needed for the rehabilitation of Germany. But may not the U.S.S.R. raise the bid by holding out to German industrialists and political leaders the prospect of large markets in Eastern Europe—a prospect that in the past has again and again tempted Germany into various deals with Russia?

In the final analysis, long-term answers to all these questions will be given by the Germans who, while not present at the Paris conference, are now in an admirable position to play the West and the U.S.S.R. against each other so as to obtain the most favorable possible terms.

VERA MICHELES DEAN

multilateral commerce, its impasse with France has the effect of causing this country to depend increasingly on barter. If a new trade agreement with France can be negotiated, the Swiss will insist on an arrangement for simple bilateral exchanges of goods of equal value. Hitherto Switzerland has offset its unfavorable balance of trade with France by income from French tourists and Swiss investments in France, but the Swiss government is no longer willing to rely on those invisible items. The country is confident that France's need for a Swiss market will force Paris to accept a new agreement, but there is no telling when the negotiations will end. Conversations on February 24 and March 19 for continuing the existing agreement failed, and trade between the two countries will soon come practically to a standstill.

### **Trade Impasse**

Readiness to negotiate completely on the barter basis marks a new period in Swiss postwar history. Immediately after the war Switzerland extended credits totaling 607,600,000 francs (\$41,302,300) to Belgium, the Netherlands, Britain, and France to stimulate trade. These credits are now exhausted. None of the debtor countries is able to repay at present, and Switzerland will extend no more trade loans. The world commercial barriers look very high from Berne. The chief handicaps the Swiss face are not tariff barriers, but currency barriers. Prime Minister Pandit Jawaharlal Nehru of India visited Switzerland on May 4 and signed a treaty

of peace and friendship between India and this country, but the Confederation government has no hopes that this will lead to an increase in trade in the near future. Exchange transactions governing Swiss-Indian trade clear through London, where the British government contends it is unable to release sterling for Swiss francs. Trade with the Soviet zone of Germany and with Eastern Europe is slight, because of Swiss inability to obtain timber and other materials it wants and because of the high prices, and the declining quality, as compared with prewar standards, of Eastern European products. Switzerland last year imported goods worth \$1,162,325,581 and exported goods worth \$798,604,651. It had an unfavorable balance with the United States—imports from the United States were \$222,000, exports to the United States were \$106,000—which was covered by invisible items.

The Swiss hope that American policy will ease their situation. Their officials have discussed with Economic Cooperation Administration representatives the question whether the United States would be willing to finance "offshore" purchases in Switzerland by other European countries. The "offshore" provision of the ERP authorizes ECA to pay for goods obtained outside the United States by European nations for Marshall plan purposes. The Swiss are hopeful also that the Point Four program for improving underdeveloped areas will result in a heavy flow of investment capital from America to backward areas. The Confederation has idle bank deposits which add to the threat of inflation

but for which there is no use as long as the present trade dilemma exists, unless Point Four creates opportunities in Africa and elsewhere. Swiss capital will probably follow American investments into backward areas if the United States paves the way.

Swiss commercial and financial relations with the United States are not completely satisfactory. One hears grumbling in Berne about the tendency of the trade associations to encourage their members to offer radios and a few other specialties from America at high prices which limit the market for those goods here. Swiss and American negotiators met in Washington this week to determine whether it is possible now to carry out the provisions of the Washington accord of 1946, by which the Swiss agreed to liquidate Nazi assets in their country and to turn

the proceeds over to the United States, France and Britain as trustees for European countries with reparations claims against Germany. Inability to agree on the compensation to the German owners of the assets has kept the accord unfilled for three years.

### **European Policy**

The current policies of Western European nations offer little hope that reliance on autarchy and barter will end before 1952, when the Marshall plan will have been in effect four years. The Marshall plan countries are basing recovery programs on individual national plans which can be developed only by importing goods essential to the plan, rather than the luxury items on which Swiss economy partly rests. The member nations of the Office of European Economic Cooperation have

not carried out the recommendations made by the OEEC last January that they stimulate intra-European trade. The recent selection of Sir Stafford Cripps, British Chancellor of the Exchequer, as chairman of the OEEC executive committee may mean further postponement of action under the OEEC report, since he is the principal author of the British austerity program, which stresses national planning and selected imports. The Foreign Ministers of Britain, France, Belgium, Luxembourg, the Netherlands, Norway, Denmark, Sweden, Ireland and Italy appeared to be optimistic as they met in London to prepare for the first session of the Council of Europe—probably to be held in Strasbourg in August. But this political movement has as yet no economic base.

BLAIR BOLLES

(Mr. Bolles has just returned from two weeks in Switzerland.)

## **U.N. Adopts Compromise On Italian Colonies**

A compromise scheme for the disposition of the former Italian colonies, fully satisfactory to no one but taking into account a multiplicity of conflicting interests, was adopted by the UN General Assembly's First Committee on May 13. The road to acceptance of the plan had been cleared by an Anglo-Italian accord, announced in London on May 9, in which the key concessions were as follows: 1) Italy would take over the administration of Tripolitania in 1952, British military authority continuing until then subject to an international advisory council; 2) Ethiopia would obtain all of Eritrea except the Western Province which would be added to the Sudan, but a "special status" for the cities of Asmara and Massawa would protect the local Italian population; 3) Italy would be given a trusteeship over the former Italian Somaliland; and 4) Britain and France would continue to administer Cyrenaica and the Fezzan respectively.

The resolution came before the plenary session of the General Assembly on May 17, but a final decision had not been reached as this issue went to press.

### **Compromise Settlement**

In view of predictions that the General Assembly would be unable to reach agreement on this controversial issue during the present session, it was hoped that the compromise would pick up enough support, notably from the Latin American and Arab members, to ensure positive action. Acceptance of the London compromise by Italy's Foreign Minister Count

Carlo Sforza was expected to win the support of Latin American nations which had previously been upholding Italy's claims.

To obtain Arab and Asian approval, however, some concession to their demands for independence or UN trusteeship over the colonies, and for the integrity of Libya, was necessary. It became clear that these aims could not be realized when an Iraqi resolution for the immediate independence of Libya was defeated, although by the narrow margin of 22 to 20, with numerous abstentions, and when Soviet proposals for collective or direct UN trusteeships were defeated in four separate votes. The Italo-British plan made several overtures to the Arab-Asian view by including a few clauses providing for Libyan independence in ten years (1959) unless the General Assembly decided at that time that this was not appropriate, and for the co-ordination of activities by the administering powers in such a way as not to prejudice the attainment of an independent Libyan state. It also stipulated that the Italian trusteeship over Somaliland would be established "with a view to its independence." Another gesture toward Arab sensibilities was the decision to include in the advisory council which would work with the temporary British administration in Tripolitania representatives not only of France, Italy, Britain and the United States, but also of the native population and of a Middle Eastern state. Egypt, named in the first draft, declined to serve, however, and

Turkey was substituted in the final resolution. The Arab states, nevertheless, were skeptical about the value of these concessions—a skepticism confirmed by rioting and demonstrations against the resolution which subsequently took place in Tripoli.

### **Native Reactions**

So far as the sentiments of the local population in the rest of Libya are concerned, it appears that the people of Cyrenaica, as represented by their National Congress which includes primarily local chiefs and notables, demand independence and resolutely oppose Italian return, but will not resist the temporary continuation of British administration provided for in the compromise resolution. The people of Fezzan, a sparsely populated desert area, either are not opposed to continuance of French administration—under the terms of the resolution—or have been prevented from voicing their opposition as the National Council for Liberation of Libya, now functioning in Egypt, contends.

While the situation in Eritrea is extremely complex, the compromise resolution seems to have taken the major interests into account. Italy has had to give up its aspirations for a trusteeship and content itself with minority guarantees and special municipal charters for Asmara and Massawa as means of safeguarding the welfare of the resident Italian population. Ethiopia's accessions include the relatively prosperous plateau area with its



Coptic Christian population, and a railroad to the seaport of Massawa. It also obtains the arid Danakil coast area with the port of Assab, but has to abandon claims to the Western Province which goes to the ethnically related Sudan.

The population of Eritrea has expressed highly contradictory aspirations. A Unionist party, primarily Christian in support, has advocated assimilation with Ethiopia. The Moslem League, representing the strongly Islamic complexion of the whole coastal area, has vehemently opposed union with Ethiopia and demanded independence. A pro-Italy party, whose large membership claims are disputed by the other two groups, also attacks union with Ethiopia but asserts that Italy should return to help prepare the area for final independence.

Somaliland, the poorest of the areas in question, has given rise to the least contention. The claims of Ethiopia have not been taken seriously since they lack historical, economic or ethnic foundation. It has been felt, accordingly, that Italian aspirations could be satisfied here with the least offense to anyone.

Native reactions to Italy's return are contradictory. A strongly organized party, the Somali Youth League, has issued bitter denunciations of former Italian rule and pledged violent resistance to any attempted return. On the other hand, the Somalia conference, representing a large assortment of local groups and the major tribal leaders, has expressed willingness to see Italian trusteeship as an aid toward ultimate independence.

The possibility of international assistance in the development of these colonial areas was foreseen in a Chilean resolution adopted by the First Committee which calls on the Economic and Social Council to include the former Italian colonies in its plans for aiding economically underdeveloped areas. This may pave the way for American assistance in connection with President Truman's Point Four program, proposals for which are now being formulated in the State Department.

FRED W. RIGGS

(This is the second of two articles on the Italian colonies.)

## News in the Making

The United Nations Economic Commission for Europe, in its second postwar survey covering the year 1948, notes the remarkable progress achieved by Europe, both East and West, but points out many danger signals ahead. Among these danger signals, according to the survey, are: difficulties encountered in reviving intra-European trade; high production costs, which hamper sales of European exports; the tendency of most European countries to seek autarchy through over-all industrialization; the paucity of attempts to create regional economic groups free of tariff and other barriers; the continuing deficit in Europe's balance of trade with the United States; the lack of new capital for re-equipping and re-organizing European economy; and the prospects that without fundamental changes in production techniques European peoples will continue to have a low standard of living. . . . Current developments bear out the commission's warnings. *Western European exports meet with increasing buyers' resistance.* For example, purchases of British cars, such as the Austin, are dwindling rapidly in the United States. The chairman of the Austin Motors Company has stated that workers were showing resistance to the introduction of new machinery. . . . One of the major problems that will confront the new Belgian Parliament to be elected in June will be the "royal" question" involving *the status of King Leopold*. The King was removed from Belgium by the Germans in 1944 and, subsequent to his liberation by United States forces the following year, has been living in Switzerland. A law passed by the Belgian Parliament in 1945 declared that the legislature would itself decide when the "impossibility" of the King's reigning due to enemy action should be terminated. . . . *Remedial measures for languishing Argentine-United States trade* have been worked out by the Argentine Embassy in Washington and the National Economic Council in Buenos Aires. If successful, they might open the way for private loans to Argentina, provided it is willing to offer security. The pro-

## Branch & Affiliate Meetings

MILWAUKEE, May 23, *French Opinion on Foreign Affairs*, Armand Berard, Thomas L. Power

\*ST. PAUL, May 23, *Ferment in the Dutch East Indies—Should We Support the Dutch Policy?*, Dr. Werner Levi, Dr. William Luyten

DETROIT, May 27, *Our Latin-American Neighbors*, Dr. Wilson Cordova, Dr. Noe Azervedo, Hernan Santa Cruz, Juan Bautista de Lavalle

\*PHILADELPHIA, May 27, *A Timely Address on World Affairs*, Sir Oliver Franks

\*SUMMER INSTITUTE, June 26 to July 23, Mount Holyoke College Institute on the United Nations. Registration may be for one to four weeks. The FPA is among the organizations sponsoring this Institute which covers: Human Rights and Individual Security, The Problem of European Union, Conflicts and Tensions in Asia, and The Outlook for World Stability.

\*Data taken from printed announcement

## What Future for Italy?

Faced with a war-devastated country, the aftermath of its two decades of fascism, a staggering overpopulation problem, and social tensions, Italy is seeking a new role in Western Europe. What are its chances for success? READ:

ITALY'S ROAD BACK

by Fred W. Riggs

May 15 issue

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gram calls for release of a long list of exports from strict government control; allocation of 20 per cent of Argentine dollar reserves for payment of outstanding obligations in the United States; and a big campaign to promote Argentine products, especially canned beef, in this country.

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